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40 Peter Bragg

FEDERAL COMMUNICATIONS COMMISSION

In Re Applications of:) MM DOCKET No.: 98-66
)
HICKS BROADCASTING OF INDIANA, LLC)
)
Order to Show Cause Why the)
License for FM Radio Station)
WRBR(FM), South Bend, Indiana,)
Should Not Be Revoked;)
)
AND)
)
PATHFINDER COMMUNICATIONS CORP.)
)
Order to Show Cause Why the)
License for FM Radio Station)
WBYT(FM), Elkhart, Indiana)
Should Not Be Revoked;)

Volume: 7

PAGES: 865 through 1075

PLACE: Washington, D.C.

DATE: October 26, 1998

HERITAGE REPORTING CORPORATION

Official Reporters
1220 L Street, NW, Suite 600
Washington, D.C.
(202) 628-4888

FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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Courtroom 1, Room 227
FCC Building
2000 L Street, N.W.
Washington, D.C.

Monday,
October 26, 1998

The parties met, pursuant to the notice of the
Judge, at 9:00 a.m.

BEFORE: HON. JOSEPH CHACHKIN
Administrative Law Judge

Heritage Reporting Corporation
(202) 628-4888

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I N D E X

| <u>WITNESSES:</u> | <u>DIRECT</u> | <u>CROSS</u> | <u>REDIRECT</u> | <u>RECROSS</u> | <u>VOIR DIRE</u> |
|-------------------------------|---------------|--------------|-----------------|----------------|------------------|
| Robert A. Watson (Resumes) | 871 | 1041 | -- | -- | -- |

E X H I B I T S

| | <u>IDENTIFIED</u> | <u>RECEIVED</u> | <u>REJECTED</u> |
|---------------------------|-------------------|-----------------|-----------------|
| <u>Mass Media Bureau:</u> | | | |
| 105 | (Prev.) | 881 | -- |
| 127 | 888 | 889 | -- |
| 113 | (Prev.) | 891 | -- |
| 114 | (Prev.) | 892 | -- |
| 115 | (Prev.) | 894 | -- |
| 116 | (Prev.) | 895 | -- |
| 104 | (Prev.) | 902 | -- |
| 106 | (Prev.) | 906 | -- |
| 117 | (Prev.) | 919 | -- |
| 118 | (Prev.) | 922 | -- |
| 101 | (Prev.) | 953 | -- |
| 99 | (Prev.) | 967 | -- |
| 119 | (Prev.) | 977 | -- |
| 120 | (Prev.) | 977 | -- |
| 121 | (Prev.) | 977 | -- |
| 122 | (Prev.) | 977 | -- |
| 123 | (Prev.) | 978 | -- |
| 124 | (Prev.) | 979 | -- |
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| 18 | (Prev.) | 993 | -- |
| 26 | (Prev.) | 994 | -- |
| 47 (page 9) | (Prev.) | 995 | -- |
| 59 | (Prev.) | 996 | -- |
| 89 (pp 6 - 11) | (Prev.) | 999 | -- |
| 97 | (Prev.) | 1000 | -- |
| 98 | (Prev.) | 1001 | -- |
| 103 | (Prev.) | 1006 | -- |
| 111 | (Prev.) | 1009 | -- |

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Hearing Began: 9:00 a.m.
 Recess Began: 12:45 p.m.

Hearing Ended: 4:00 p.m.
 Recess Ended: 2:00 p.m.

1 P R O C E E D I N G S

2 JUDGE CHACHKIN: Let's go back on the record.

3 Mr. Shook.

4 Whereupon,

5 ROBERT A. WATSON

6 having been previously duly sworn, was recalled as a witness
7 herein, and was examined and testified further as follows:

8 DIRECT EXAMINATION (Resumes)

9 BY MR. SHOOK:

10 Q Mr. Watson, I'm actually getting ahead of myself.
11 It's in the third volume. Would you turn to Exhibit 104,
12 please?

13 I want to direct your attention to the first page
14 at this point which appears to be a note, and it -- first of
15 all, if you could tell me what that is. There is some
16 handwriting on it, and there are some things I can't make
17 out very clearly.

18 A That is a note payable to John F. Dille IV, signed
19 by David Hicks, as a member of Hicks Broadcasting of
20 Indiana, LLC. The note is in the amount of \$8.000.

21 Q And is there some handwriting that appears on the
22 note?

23 A Yes, and it's handwriting that I placed there. It
24 says, "Cancel, paid 12-29-95."

25 Q Were similar notes prepare for Sarah and Alec?

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1 A I believe they were.

2 Q At whose direction were the notes prepared?

3 A David Hicks and I talked about preparing the
4 notes.

5 Q Was that a face to face?

6 A We talked about it.

7 I don't really recall, but possibly not.

8 Q Now, why were the notes issued?

9 A Well, the members had loaned money to Hicks
10 Broadcasting of Indiana, and it would be a natural thing
11 then to prepare a note when money is loaned to a company,
12 and Dave knew that, and we just talked about it, issued a
13 note.

14 Q Do you know when this liability had arisen?

15 A This particular liability would have arisen in --
16 it really would have arisen in the month of November 1st or
17 December, because this was part of the escrow money that was
18 put up with the asset purchase agreement, I believe.

19 Now, when the escrow money came back to the
20 company from Booth in April, there again it was a loan to
21 the company, so it was, in essence, loaned and then it came
22 back into the company in April from Booth.

23 So I guess it really would have risen technically
24 around December or November 30th or December 1st, but the
25 entity wasn't formed then so -- and I might say April 1st,

1 or when it did come back in from Booth, excuse me, which was
2 sometime in April.

3 Q Now, I want to make sure I got the years straight.
4 When you mentioned November, you're talking November 1993,
5 when the asset purchase agreement was signed; correct?

6 A Yes.

7 Q And when you say April, you're referring to April
8 1994, when the escrow funds were returned from Booth's law
9 firm to yourself?

10 A Yes.

11 Q The note itself is written, bears the date of
12 December 28, 1994.

13 Do you have any explanation as to why it is that
14 the note was not -- is dated in December as opposed to some
15 time earlier?

16 A Well, I'm not sure exactly. I mean, it could be a
17 couple of things. One is this might supersede another note.
18 I just don't -- I'm not sure, cause sometimes that happens.
19 At the end of the year if a note has become due, and if it's
20 not going to be paid, sometimes another note will be issued.
21 I just don't know in this case if it supersedes another
22 note.

23 The other thing might have been is that -- just
24 that the paperwork on the note didn't catch up until the end
25 of the year. That's also likely

1 I recall there were some of these loans, I'm not
2 sure which loans, but some of the loans actually went into
3 paid in capital for awhile. That was all figured out and
4 straightened out at the end of the year for the financial
5 statement folks. So one of those two events, two reasons,
6 and I'm not sure what it is.

7 Q I want to direct your attention to the second page
8 of the exhibit, and if you will bear with me, I believe
9 pages 2, 3, and 4 are related.

10 First of all, with respect to page 2, were you the
11 author of the memo?

12 A Yes.

13 Q Now, how did it come to pass that this memo was
14 drafted?

15 A Well, at the end of the year, Dave and I talked
16 about paying back some of the shareholder loans, and, you
17 know, Dave told me to go ahead and pay them back, and I
18 drafted a memo on my own. It was just a bit of -- you know,
19 a transmittal memo, but Dave directed me to pay back the
20 loans.

21 Q Now, turning to page 3, is this the internal
22 paperwork that would have preceded the drafting of the memo?

23 A Yes. It's -- to get a check prepared, you have to
24 have a check request, and that's what this is.

25 Q Okay. And with respect to your testimony

1 previously about discussing the matter with Mr. Hicks, I
2 take it that is corroborated in the sense where if you look
3 at the lines that read, "in payment four," there is
4 handwriting there. If you could clarify what that
5 handwriting states?

6 A It says, "Hicks Broadcasting loan repayment per
7 Dave Hicks."

8 Q Now, if you'll look at Exhibit 105, page 3, would
9 I be understanding this correctly that by the repayment of
10 the various loan amounts that are reflected under the
11 writing of 12-28-95, and I think that is P-M-T, which is
12 supposed to be payment?

13 A Correct.

14 Q That the amounts left in the company, if you will,
15 represent the amounts that are equivalent to the percentage
16 shares that each individuals held?

17 A At that time, that is correct.

18 Q So, in a way, this repayment basically brought
19 things back into equilibrium in terms of the amounts of
20 monies the various individual had contributed?

21 A Yes, it brought back the fact that the loans by
22 the members at that time were apportionally to their
23 ownership in Hicks Broadcasting.

24 Q Now, turning to page 4 of Exhibit 104, the
25 handwriting on the note is yours?

1 A Yes, it is.

2 Q And it's consistent, the information there is
3 consistent with what we've been talking about in terms of
4 this loan is being repaid after your discussions with Mr.
5 Hicks?

6 A Yes, sir.

7 Q Now, if you would turn to page 5 of that exhibit,
8 please, and while you're looking at that if you could also
9 glance over to, again, Exhibit 105, page 5.

10 A Okay.

11 Q Am I understanding this correctly that this is a
12 note for the balance that is left to Flint Dille?

13 A Yes, it is.

14 It represented the -- it is a renewed note for the
15 balance due or balance owing.

16 Q I want you to turn to Exhibit 103, page 1.

17 A Okay.

18 Q And this represent a note to Mr. Hicks?

19 A Yes.

20 Q Now, at whose direction was this note prepared?

21 A All of the notes were prepared at Dave's
22 direction.

23 Q In other words, anytime we would see a note in
24 here, a note payable either to Flint Dille, to David Hicks,
25 to Alec Dille or to Sarah Dille, it would be your testimony

1 that such a note was prepared at Hicks' direction?

2 A When you say "anytime," yes, the answer is yes.
3 However, sometimes it's more of a discuss rather than a
4 direction. He knows -- it was established right at the
5 beginning that any obligation of Hicks Broadcasting to
6 individual had to have a -- should have a note to back it
7 up. So it was -- you know, I can't say with absolute
8 certainty that he directed me to prepare any note. Some of
9 then eventually or occasionally might have been prepared
10 just because it was the thing to do.

11 Q Now, I want to direct your attention to page 4 of
12 Exhibit 105. Now, what does this document represent?

13 A I don't know. I haven't seen this in a whole long
14 time, so I'm not exactly sure what it is. It appears to be
15 some kind of analysis of notes payable from Hicks
16 Broadcasting to its members.

17 And without studying it quite a bit, I don't know
18 what it is exactly.

19 Q All right. Well, there are two places --

20 A Some kind of balancing to a general ledger of some
21 sort.

22 Q There are two places where handwriting appears,
23 and perhaps you can enlighten us about that. In the upper
24 right, toward the upper right --

25 A Right.

1 Q -- there is an area that reads, "A/C," and then a
2 "3." and then there were some typewritten numbers there, and
3 they were crossed out and then some numbers appear in
4 handwriting.

5 A Yeah. I think I know, you know, I'm studying this
6 a little bit more. I think I know what this was.

7 I believe all of the loans at this time, and I
8 don't know, there is no date on this, when this was prepared
9 currently. But whenever it was prepared there appeared to
10 be in all of the -- all of the loans may have been in one
11 loan account, and for some reason we set up the \$75,000 in a
12 separate loan account, which is 3.2334.

13 Q Do you know what that \$75,000 was for?

14 A Yes, that was additional loans from the members of
15 Flint, Sarah and Alec. I forget exactly, but it's in here
16 somewhere, somewhere around -- probably March - April 1996,
17 I guess.

18 Q Well, perhaps the next page will help, if you look
19 at page 5.

20 A February 1996.

21 Q And that amount was for?

22 A Total \$75,000; \$25,000 each, the loan by Flint,
23 Alec and Sarah.

24 Q And do you know what it was for?

25 A Yes, I do.

1 Q What was it for?

2 A It was used -- at that time Hicks Broadcasting had
3 purchased the rights to broadcast the syndicated show of Bob
4 and Tom, and at that time, of course, money was needed by
5 the company to pay for that, those rights. And John, Alec
6 and Sarah contributed the money, to loan the company the
7 money.

8 Q And do you know the source of those funds?

9 A Well, yes, I do.

10 Q And it was?

11 A Well, that was -- well, excuse me. I think I know
12 the source of it. Excuse me.

13 Q What's your understanding?

14 A My understanding is that in December 1995, they
15 were repaid some loans. Just a few minutes ago we saw those
16 repayments. I believe they used those funds to put back
17 into the -- to loan back the money because this need arose.
18 But they didn't -- they didn't know that that, of course,
19 was coming up when the loans were repaid in December.

20 Q I see. Now, what analysis of the financial
21 situation of Hicks Broadcasting was undertaken prior to the
22 issuance of the \$40,000 plus checks to Flint, Alec and
23 Sarah?

24 A Well, at that time, I mean, Dave and I talked
25 about it, and we -- you know, both of us kind of thought

1 that there was enough cash to make those repayments, and
2 thought that when it actually was made, thought that there
3 would be enough case and, of course, that there would be
4 enough at the end of the year.

5 Q So in terms of this sequence of events, I take it
6 the decision to issue the checks to Flint, Alec and Sarah
7 was made before there was an understanding that there might
8 be a need to make extra -- you know, come up with extra
9 money to acquire the Bob and Tom Show?

10 A Oh, yeah. Yeah, that didn't come till some time
11 in '96. Didn't know about it when we repaid the loans.

12 Q Right. No, I was just curious about the timing
13 because if I remember right the check were issued at the
14 very end of '95.

15 A Right.

16 Q And then it reflect here that this loan was made
17 early in February of '96.

18 A Yeah, but when the loans were repaid, they didn't
19 know -- I don't think the knew the Bob and Tom Show was
20 available. I don't think it was available then as of that
21 time.

22 MR. SHOOK: Your Honor, I'd like to offer 105 at
23 this time.

24 JUDGE CHACHKIN: Any objection?

25 MR. WERNER: None, Your Honor.

1 MR. JOHNSON: No, Your Honor.

2 JUDGE CHACHKIN: 105 is received.

3 (The document referred to,
4 having been previously marked
5 for identification as MMB
6 Exhibit No. 105, was received
7 into evidence.)

8 JUDGE CHACHKIN: One thing I'd like to know, sir.
9 Is Hicks Broadcasting a corporation?

10 THE WITNESS: No, sir. It's a limited liability
11 company, an LLC.

12 JUDGE CHACHKIN: And what is an LLC? Does it have
13 to file any articles, the bylaws or anything of that nature
14 with the state?

15 THE WITNESS: Yes, Your Honor. It has to file
16 what's called an operating agreement between the members,
17 and it's -- it actually is the document that establishes the
18 entity and also discusses the operations, the way the entity
19 is supposed to run.

20 JUDGE CHACHKIN: And was such a thing filed with
21 the state?

22 THE WITNESS: Yes, Your Honor. When the -- when
23 the LLC was formed in March 1994, it was -- the entity was
24 established.

25 JUDGE CHACHKIN: So what is it basically? A

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1 quasi-corporation or just what is it?

2 THE WITNESS: I think the intent, and I'm not
3 attorney, I'm just telling you what I -- I believe it was
4 meant to be more like a partnership, but is taxed similarly
5 a sub S corporation, but I believe it's a partnership. And
6 the reason I think that this is sometimes -- it's better
7 than an S corporation, I think, because members -- I'm not
8 sure how to phrase it. I'm sorry, I do forget. I do know
9 that they became prevalent in that -- just around this time.
10 They were very new to Indiana. They were not even available
11 until July of 1993 in Indiana, and now they are -- it's kind
12 of a -- it's an entity that a lot of companies are using
13 around the country.

14 JUDGE CHACHKIN: Well, when the corporation, what
15 about the corporation, this LLC --

16 THE WITNESS: Right.

17 JUDGE CHACHKIN: -- lends money to its stockholder
18 or members --

19 THE WITNESS: No, just -- okay, just the opposite
20 though. They've loaned money to the company in Hicks'
21 instance.

22 JUDGE CHACHKIN: Well, the company did -- well Mr.
23 Hicks' obligation to Booth was a personal debt, was it not?

24 THE WITNESS: No, Your Honor. The obligation to
25 Booth was this entity that Hicks Broadcasting of Indiana,

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1 LLC owed the money to Booth.

2 JUDGE CHACHKIN: So it wasn't under the --

3 THE WITNESS: No, Your Honor.

4 JUDGE CHACHKIN: And when the LLC takes any
5 actions, does it require resolutions or similar to a
6 corporation or it just -- or is all that ignored? The
7 formal work that you have in a corporation.

8 THE WITNESS: Well, I understand.

9 I wouldn't say it's totally ignored, but I don't
10 think it's required. What generally required, I think, if I
11 recall the operating agreement, is the majority ownership of
12 the entity is in control. It takes a majority vote, and in
13 this case Mr. Hicks, of course, had the majority, and
14 basically he was -- anything he said would be done.

15 JUDGE CHACHKIN: I understand that, but does it
16 take any formal documents for Mr. Hicks --

17 THE WITNESS: Not that I'm aware of. I think the
18 only --

19 JUDGE CHACHKIN: You don't need any resolutions or
20 anything?

21 THE WITNESS: No, Your Honor. I think the
22 operating agreement gives the majority member that
23 authority.

24 JUDGE CHACHKIN: Is that operating agreement in
25 evidence?

1 THE WITNESS: I don't know, Your Honor.

2 JUDGE CHACHKIN: Is it, Mr. Shook?

3 MR. SHOOK: Your Honor, I'm sorry, I wasn't --

4 JUDGE CHACHKIN: Is the operating agreement under
5 the LLC, is that in evidence?

6 MR. SHOOK: I believe it's part of our admissions,
7 which we have not yet moved into evidence.

8 JUDGE CHACHKIN: All right. Go ahead, Mr. Shook.

9 BY MR. SHOOK:

10 Q Mr. Watson, please turn to page 6 of Exhibit 104.

11 A Okay.

12 Q Now, I think we've already had some testimony
13 about this. This is one of the three checks from the Dille
14 children that would have been paid into Hicks Broadcasting
15 in order to acquire the rights to Bob and Tom?

16 A Yes, sir.

17 Q And page 7 and page 8 are related in the sense
18 that they're the memo and the accompanying note?

19 A Yes, they are.

20 Q For the repayment of that loan?

21 A Yes, sir.

22 Q So that's your signature that appears on page 7?

23 A Yes, which is a transmittal letter to Flint.

24 Q And similar transmittals would have gone to Sarah
25 and Alec?

1 A I believe so.

2 Q And with respect to page 8 --

3 A Yes.

4 Q -- this is a note that your office prepared for --
5 you know, for Mr. Hicks to sign?

6 A Yes. We prepared the note at Dave's request. He
7 signed it as a promissory note to Flint for the company,
8 Hicks Broadcasting. I'm only repeating that to make sure
9 that everyone understand what it is.

10 Q Now, what kind of -- did you have a conversation
11 with Flint that alerted him that there was going to be this
12 request for additional funds?

13 How did it come about that Flint knew to write
14 this check that we've looked at on page 6?

15 A I don't know if I talked to him at all about it.
16 I certainly didn't talk to him initially about it. With
17 respect to this, I believe that John would have told him --
18 would ask him to put in the money. I mean, John was aware
19 of it -- was aware that Hicks wanted to purchase the
20 syndicated rights to the Bob and Tom Show, and they needed
21 the money to do it. And I believe John would have talked to
22 Flint directly, and I may have talked to him also, but it
23 would have been after.

24 Q You personally didn't have a conversation with
25 Flint about the need for the money?

1 A No.

2 Q And you didn't have a conversation with Sarah?

3 A No.

4 Q And you didn't have a conversation with Alec?

5 A No.

6 Q But you knew the checks were coming?

7 A Well, I knew that the decision had been made for
8 them to contribute the money, yes, to loan Hicks
9 Broadcasting LLC the money.

10 MR. SHOOK: Now, Your Honor, I want to place
11 before the witness a document. This is one that I should
12 have had photocopied beforehand and did not. I'll show it
13 to the other parties before I place it in front of the
14 witness.

15 JUDGE CHACHKIN: Go ahead.

16 (Pause.)

17 BY MR. SHOOK:

18 Q Mr. Watson, can you identify the document I handed
19 you?

20 A Well, I'm not positive, but it appears to be the
21 top part of a -- it appears to be the top part of a check.
22 It appears to be one of the remittance advices that is
23 attached to Pathfinder's checks. That's what it appears to
24 be to me.

25 Q And what's it in relation to?

1 A It's in relation to this -- to the payment of
2 Hicks Broadcasting paying for the syndicated show that we
3 discussed a little bit ago.

4 Q There is some handwriting that appears. Can you
5 identify the handwriting?

6 A It appears to be some big initial on there and
7 then it says, "See Connie."

8 Q Does that mean anything to you?

9 A Well, there's a -- I can only --

10 Q If you don't know, that's fine.

11 A Well, I know a Connie that works at -- that worked
12 at WNDU. I happen to know the controller there whose name
13 is Connie, and I believe she spells it that way, so that
14 would appear to be -- I think that's probably what it is.

15 Q Now, does this document reflect that the payment
16 came out of the Pathfinder account?

17 A Yes, it does. If you recall, in previous
18 testimony then as well as know for most payments even now
19 Pathfinder made this payment because all the checks are
20 written on Pathfinder's account, as discussed earlier.

21 As soon as this gets paid, the moment it got paid
22 it became a receivable then from Hicks Broadcasting.

23 Now, I just want to take that one step further,
24 please. When that money, that \$75,000 was loaned in to
25 Hicks Broadcasting, it was deposited in this account of

1 Pathfinder. So when it was deposited in Pathfinder's
2 account, it became a payable to Hicks Broadcasting LLC.
3 Okay, it was a payable when this check was written, and that
4 became a receivable and they offset each other in the
5 Pathfinder account. Okay?

6 MR. SHOOK: Your Honor, if my numbering is
7 correct, I would like to have this marked as Bureau Exhibit
8 127, and request permission to withdraw it to make
9 photocopies for the parties and for the court reporter.

10 JUDGE CHACHKIN: What is it? Can you identify the
11 document, please?

12 MR. SHOOK: It's a one-page document that in
13 the -- it is represented as referring to check number 39830,
14 written on 2-12-96, from Pathfinder Communications
15 Corporation. It's in the amount of \$75,000, and it
16 references an activity of Hicks Broadcasting of Indiana.

17 JUDGE CHACHKIN: All right, that document is
18 marked for identification as Bureau Exhibit 127.

19 (The document referred to was
20 marked for identification as
21 MMB Exhibit No. 127.)

22 MR. SHOOK: Your Honor, the Bureau would ask that
23 it be moved into evidence.

24 JUDGE CHACHKIN: Any objection.

25 MR. JOHNSON: None.

1 MR. WERNER: No, Your Honor.

2 JUDGE CHACHKIN: Exhibit 127 is received, and
3 permission is granted to withdraw it for the purpose of
4 making copies.

5 MR. SHOOK: Thank you, Your Honor.

6 (The document referred to,
7 having been previously marked
8 for identification as MMB
9 Exhibit No. 127, was received
10 into evidence.)

11 BY MR. SHOOK:

12 Q Mr. Watson, could you now turn, please, to Exhibit
13 113?

14 And we've asked a series of questions before about
15 financial statements, and I'm not going to go through that
16 exercise again. What I'd like for you to do for me though
17 is, with respect to each of the financial statements, verify
18 that they are in fact the financial statement of Hicks
19 Broadcasting that was prepared by your office during the
20 month in question.

21 A Which month?

22 Q Well, that would be January of '95 and then we
23 can --

24 A Yes.

25 Is that what you're looking for?

1 Q Yes, sir.

2 MR. SHOOK: In lieu of doing that, would counsel
3 be prepared to stipulate that these are --

4 MR. WERNER: We're just discussing that.

5 MR. HALL: I believe there might be a page missing
6 out of the month of June. The rest of them have three pages
7 up until the month of June. We're missing the balance.

8 THE WITNESS: Do you want me to look through them?

9 MR. SHOOK: Sure. Right now I have no explanation
10 for where that particular portion of the statement is. I
11 don't know whether I have it or whether I don't.

12 MR. HALL: I believe the Bates numbers, there does
13 seem to be a break in the Bates numbers. It probably was a
14 photocopying --

15 MR. SHOOK: Well, chances are we have it then.

16 JUDGE CHACHKIN: What month are you talking about?

17 MR. HALL: The June --

18 JUDGE CHACHKIN: The June balance sheet? The June
19 balance sheet? Pages 16 and 17 is here. I have 16 and 17.

20 MR. HALL: You will notice, Your Honor, it goes
21 from PAC 158 to PAC No. 160. Usually they are three pages,
22 one page being the cover and the balance sheet being
23 another.

24 JUDGE CHACHKIN: You're right. One page is
25 missing.

1 MR. HALL: Other than that we can stipulate to --

2 MR. SHOOK: With the understand that we would
3 supply that for the record.

4 JUDGE CHACHKIN: All right, we'll make that 16(a)
5 if we find it.

6 MR. WERNER: That's fine.

7 MR. SHOOK: All right, Your Honor, we would offer
8 Exhibit 113.

9 JUDGE CHACHKIN: No objection, I assume.

10 MR. JOHNSON: Correct, .Your Honor.

11 MR. WERNER: No.

12 JUDGE CHACHKIN: All right, 113 is received -- is
13 it 113?

14 MR. SHOOK: Yes, sir.

15 JUDGE CHACHKIN: 113 is received.

16 (The document referred to,
17 having been previously marked
18 for identification as MMB
19 Exhibit No. 113, was received
20 into evidence.)

21 MR. SHOOK: Likewise, with respect to 114, which
22 represents the 1996 statements.

23 JUDGE CHACHKIN: Any objection?

24 MR. WERNER: One moment, Your Honor.

25 (Pause.)

1 MR. WERNER: Hicks would be prepared to stipulate
2 to that, Your Honor.

3 JUDGE CHACHKIN: All right, 114 is then received.

4 (The document referred to,
5 having been previously marked
6 for identification as MMB
7 Exhibit No. 114, was received
8 into evidence.)

9 MR. SHOOK: Would a similar situation be
10 acceptable for 115?

11 (Pause.)

12 BY MR. SHOOK:

13 Q You've had a chance to look through 115 and they
14 appear to be a complete set of the 1997

15 A Yes.

16 Q -- financial statements.

17 A Yes.

18 MR. WERNER: I notice there is a change in the
19 format at some point. If you look specifically at page 12,
20 the month of April '97, this document hadn't appeared in the
21 month before. I don't know if it's supposed to be there for
22 the rest of '97, or if it was a change as of April.

23 JUDGE CHACHKIN: Well, let's ask the witness.

24 MR. WERNER: Right.

25 THE WITNESS: Well, that is a schedule of WRBR

1 accounts receivable, and it's part of the April statements.
2 I don't -- they should have probably been there every month.
3 I don't know why it wasn't. But it is -- it is an okay
4 schedule.

5 BY MR. SHOOK:

6 Q As far as that goes, Mr. Watson, are you saying
7 that such a statement existed previously to April of 1997?

8 A I believe it did.

9 Q Do you have any particular explanation -- do you
10 have any explanation as to why it doesn't appear --

11 A No.

12 Q -- in the financial materials --

13 A No.

14 Q -- that we have?

15 A No, I don't.

16 As far as I knew, the financial statements were
17 copied. It's a supplemental schedule really of accounts
18 receivable. That's maybe why it isn't there because it
19 wasn't --

20 Q Do you have any recollection of whether your
21 office prepared them on or about April of 1997?

22 A My recollection is that it would have been
23 prepared for a long time. I don't know why it isn't --
24 again, it's a supplemental receivable schedule, and I
25 believe it would have been part of the financial statements

1 from April 1st of '94.

2 I can -- I can certainly provide it. I mean, I
3 don't know why they're not there, but I'd be happy to get
4 copies.

5 Q If they exist.

6 MR. SHOOK: Your Honor, the Bureau would certainly
7 be open to that if such existed.

8 JUDGE CHACHKIN: All right. Is there any
9 objection to 15?

10 MR. WERNER: No, Your Honor.

11 MR. JOHNSON: No, Your Honor.

12 JUDGE CHACHKIN: Exhibit 115 is received.

13 (The document referred to,
14 having been previously marked
15 for identification as MMB
16 Exhibit No. 115 was received
17 into evidence.)

18 MR. SHOOK: Moving up to 116, which is financial
19 statements for January through May of 1998.

20 (Pause.)

21 MR. JOHNSON: None, Your Honor.

22 MR. WERNER: No, Your Honor.

23 JUDGE CHACHKIN: Exhibit 116 is received.

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